

GENERAL ASSEMBLY OF NORTH CAROLINA



FISCAL ANALYSIS MEMORANDUM

[This confidential fiscal memorandum is a fiscal analysis of a draft bill, amendment, committee substitute, or conference committee report that has not been formally introduced or adopted on the chamber floor or in committee. This is not an official fiscal note. If upon introduction of the bill you determine that a formal fiscal note is needed, please make a fiscal note request to the Fiscal Research Division, and one will be provided under the rules of the House and the Senate.]

DATE: May 2, 2012

TO: Revenue Laws Study Committee

FROM: Jonathan Tart, Rodney Bizzell, and Sandra Johnson
Fiscal Research Division

RE: Extend Tax Code Sunsets

FISCAL IMPACT (\$millions)					
	Yes (x)	No ()	No Estimate Available ()		
	<u>FY 2011-12</u>	<u>FY 2012-13</u>	<u>FY 2013-14</u>	<u>FY 2014-15</u>	<u>FY 2015-16</u>
REVENUES:					
General Fund:	\$0	-\$0.8	-\$135.8	-\$14.3	\$-14.3
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: NC Dept. of Revenue					
EFFECTIVE DATE: Effective when it becomes law					

BILL SUMMARY: This proposal would extend the expiring tax expenditures listed in the chart below:

	Repeal Date	FY 13/14 Revenue Loss
<i>Income Tax Credits:</i>		
o Work opportunity tax credit	01/01/2012	\$800,000
o Tax credit for constructing renewable fuel facilities	01/01/2013	\$100,000
o Tax credit for biodiesel producers (motor fuel excise tax)	01/01/2013	\$100,000
o Tax credit for renewable energy property facility	01/01/2013	\$0
o Article 3J tax credits		
- Credit for Creating Jobs	01/01/2013	\$1,000,000
- Credit for Investing in Business Property	01/01/2013	\$5,100,000
- Credit for Investing in Real Property	01/01/2013	\$300,000
o Tax credit for qualified business ventures	01/01/2013	\$7,500,000
o Tax credit for recycling oyster shells	01/01/2013	\$100,000
o Tax credit for premiums paid on long-term care insurance	01/01/2013	\$5,800,000
o Tax credit for adoption expenses	01/01/2013	\$5,400,000
o Refundable earned income tax credit	01/01/2013	\$102,500,000
<i>Sales Tax Refunds:</i>		
o Sales tax refund for passenger air carriers	01/01/2013	\$6,000,000
o Sales tax refund for machinery and equipment placed in a tier one county	01/01/2013	\$200,000
o Sales tax refund for aviation fuel of motorsports team or sanctioning body	01/01/2013	\$100,000
o Sales tax refund for analytical services business	01/01/2013	\$100,000
o Sales tax refund for certain industrial facilities	01/01/2013	\$700,000
<i>Total:</i>		\$135,800,000

The work opportunity tax credit was repealed for 2012. The proposal would reinstate the credit for 2012 and schedule its repeal for 2014. The other provisions are scheduled for repeal in 2013. The proposal extends the repeal date for one year to 2014.

ASSUMPTIONS AND METHODOLOGY:

The estimated impact for the income and sales tax provisions is based on data obtained from the Department of Revenue. The fiscal impact shown for FY 14/15 and FY 15/16 is due to the extension of the Article 3J tax credits. The Article 3J tax credits are taken in installments that don't begin until the tax year following the year generated and are subject to carry-forward provisions. Consequently, the fiscal impact for a one year extension of Article 3J is spread out over a 10-year period.

SOURCES OF DATA: NC Department of Revenue

TECHNICAL CONSIDERATIONS: None